



# HOW EQUATED MONTHLY INSTALMENT (EMI) SCHEMES AND BUY NOW, PAY LATER (BNPL) SERVICES FUEL IMPULSIVE BUYING: A CLOSER LOOK AT CONSUMER BEHAVIOUR

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## ABSTRACT

An Equated Monthly Instalment (EMI) is a fixed payment amount made by a borrower to a lender at a specified date each calendar month. The EMI consists of both the principal amount and the interest on the loan, which is spread over a predetermined period. EMIs are commonly used in home loans, personal loans, and auto loans, where the borrower repays the loan in regular instalments over time. Credit card companies typically offer this facility, but nowadays, it is also available with debit cards. Many banks are now providing a pre-approved credit limit for their debit card holders as well. BNPL stands for “Buy Now, Pay Later”. It is a payment option that allows consumers to purchase goods and services and pay for them later, typically with no interest or fees. BNPL schemes offer customers the convenience of paying for purchases over time, without needing a credit card or traditional loan. This payment option has become increasingly popular among consumers, particularly among younger generations, to manage their finances and make larger purchases more affordable. However, it also has potential drawbacks, such as higher spending and risks of missed payments, that should be considered before utilizing this payment option. The objective of this study is to examine the factors that motivate consumers to choose EMI schemes and BNPL services as payment options, and to evaluate their perceived advantages and the risks associated with them. The study primarily relied on primary data collected from 100 samples using convenient sampling, along with secondary sources such as published research reports on BNPL.

**KEYWORDS:** EMI Schemes, No-Cost EMI, Buy Now-Pay Later, BNPL, Impulsive Buying, Consumer Credit

## INTRODUCTION

In recent years, the financial technology (fintech) sector in India has experienced rapid growth, revolutionizing the way consumers manage and access financial services. The proliferation of digital financial solutions has introduced innovative payment options, such as Equated Monthly Instalment (EMI) schemes and Buy Now, Pay Later (BNPL) services, which have gained significant traction among Indian consumers. These fintech solutions offer flexibility and convenience, reshaping consumer spending habits and financial management.

EMI schemes, traditionally offered by credit card companies, allow consumers to spread the cost of their purchases over a series of monthly payments. However, the landscape has expanded with the advent of BNPL services, which enable consumers to make immediate purchases and defer payments without incurring interest for a set period. BNPL services have gained popularity due to their user-friendly nature and the growing acceptance of credit limits for such transactions by a wide range of platforms. This includes not only offline and online shopping sites but also travel booking websites, recharge services, and bill payments.

Recently, even India Post has come up with an idea, Book Now, Pay Later. Reliance JIO, the largest telecom company in India, introduced “Recharge Now, Pay Later facility”, an Emergency Data Loan facility that allows users to purchase a data pack and

pay for it later. MakeMyTrip, one of the popular online travel companies in India, has been offering a scheme named “Travel Now, Pay Later” to selected customers whereby a customer can book a hotel or tickets by just paying a small amount and the remaining balance can be paid later in instalments. These firms have disrupted traditional credit models by providing seamless, user-friendly options for managing payments. The growing competition among these players has led to a broader range of offerings and more attractive terms for consumers.

In India, several major players have emerged in the BNPL space, such as ZestMoney, LazyPay, and Simpl. Additionally, prominent companies offering BNPL services include PayTM (PostPaid), Flipkart (PayLater), Amazon (Amazon Pay), Slice, and MobiKwik (Zip). These services often target millennials who may not possess credit cards. Many BNPL providers offer micro-credit limits ranging from Rs 100 to Rs 1,00,000, depending on the customer’s credit profile and other factors.

This study aims to investigate the factors motivating consumers to choose EMI schemes and BNPL services as preferred payment modes. Additionally, it seeks to assess the perceived advantages and risks associated with these payment options. By analyzing primary data from 100 samples and incorporating secondary research from published reports, this study provides valuable insights into the evolving landscape of consumer finance in India and the impact of fintech innovations on

purchasing behaviour.

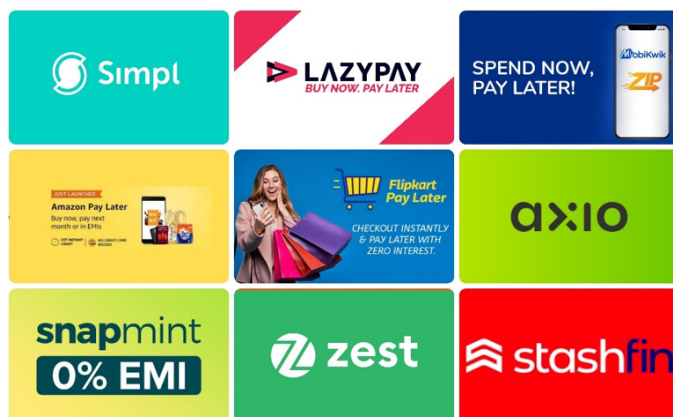
### Here are some of the merits and demerits of EMI schemes and BNPL schemes:

#### Pros:

1. Flexible payment options.
2. No immediate financial burden.
3. Often interest-free for a promotional period.
4. Easy approval process.
5. Accessible to those without credit cards.
6. Encourages higher spending with affordable payments.
7. Accepted both offline (scan and pay) and online (UPI mode)
8. One-click payment

#### Cons:

1. Potential for accumulating debt.
2. High interest rates if payments are missed.
3. Can lead to over-spending.
4. Impact on credit score if mismanaged.
5. Fees for late payments.
6. Limited understanding of total repayment cost.



Source: Official websites/apps of the respective companies

**Figure 1: Popular BNPL Service Providers in India**

## REVIEW OF LITERATURE

Madiha Khan and Shejuti Haque (2020) conducted a study focusing on the factors influencing consumers in Dhaka city to utilize BNPL (Buy Now, Pay Later) mechanisms for transactions and product purchases. Their findings revealed that education, increased demand for luxury goods, and an improvement in living standards significantly contributed to the rise in the yearly value of purchases made through the BNPL model. This increased expenditure also highlighted the impulsive buying behavior of consumers when using such payment options.

Bernadette Kamleitner and Berna Erki (2013) explored the impact of payment methods on consumers' perceptions of ownership. Their study proposed that the method of payment influences how strongly consumers feel ownership of a purchased good. Specifically, they found that cash payments result in stronger immediate psychological ownership compared to credit card payments. Interestingly, the study noted that this effect was not observed among the Asian students studied. Additionally, the research found that while cash payers do not

experience further increases in psychological ownership over time, those who pay by card do.

Colin B. Gabler and Kristy E. Reynolds (2013) investigated how scarcity and discounts affect purchase decisions in buy-now or buy-later situations. Through market scenarios, they demonstrated that scarcity adds emotional value, thereby increasing the likelihood of purchase. They further identified that the level of discount is a stronger predictor of purchases for highly visible products, while scarcity primarily drives purchasing decisions for less visible items.

Promothesh Chatterjee and Randall L. Rose (2012) examined whether payment mechanisms alter how consumers perceive products. Their research argued that when consumers are primed with credit card usage, they tend to focus more on the benefits of a product rather than its costs. They suggested that the influence of credit card stimuli extends beyond merely increasing spending power; it also shifts consumption preferences from the future to the present.

Keith Wilcox, Lauren G. Block, and Eric M. Eisenstein (2011) explored the relationship between credit card debt and consumer spending. Through five experimental and field studies, they demonstrated that outstanding credit card debt increases spending among consumers with high self-control. However, this effect diminishes when the available credit limit is increased. Their findings suggest that when credit availability is low, consumers with greater self-control tend to spend more, whereas they reduce spending when credit availability is high.

Marsha L. Richins (2011) conducted qualitative research to understand the interplay between materialism, transformational expectations, and credit usage. The study found that transformational expectations fully mediate the relationship between materialism and credit overuse. The research supports the notion that materialism not only fosters a more favorable attitude toward debt but also strengthens the belief that acquiring material goods will lead to life transformations, both of which contribute to increased credit overuse.

Richard A. Feinberg (1986) tested the hypothesis that stimuli associated with spending can trigger spending behaviors. Through four experiments and one study, Feinberg found that exposure to credit card stimuli significantly influenced spending behavior. The research demonstrated that the presence of credit card cues increased the probability, speed, and magnitude of spending, affirming the notion that the "buy now, pay later" philosophy has deeply impacted the American way of life.

### Statement of the Problem

The swift expansion of fintech in India, namely with the introduction of Buy Now, Pay Later (BNPL) services, has brought about a substantial shift in consumer spending patterns. Although deferred payments and quick credit are convenient features offered to customers, these services also pose questions regarding long-term financial health and financial discipline. When combined with aggressive marketing tactics, the ease of obtaining credit through BNPL programs could lead

to impulsive buying and eventual financial obligations. Even though BNPL services are becoming more and more popular, little is known about the factors that influence their acceptance and the dangers and benefits that are thought to come with them. The purpose of this study is to close this gap by investigating the reasons underlying customers' inclination for BNPL and EMI programs, analysing how they affect spending habits, and examining the possible financial consequences for users.

### Objectives of the study

1. To identify the key factors influencing consumers' adoption of BNPL services and EMI schemes as a preferred payment method.
2. To analyze the impact of BNPL services and EMI schemes on consumer spending behaviour, particularly in terms of impulsive purchases.
3. To evaluate the perceived advantages and potential financial risks associated with the use of BNPL services and EMI schemes among consumers.

### Significance of the Study

The significance of this study lies in its potential to provide valuable insights into the growing phenomenon of BNPL services and EMI schemes within the Indian fintech landscape. As these payment options become increasingly popular, understanding the factors driving their adoption and the subsequent effects on consumer behavior is crucial for multiple stakeholders. For financial institutions and fintech companies, the study can help in designing more responsible and consumer-friendly products that align with users' financial well-being.

For consumers, the findings will raise awareness of the potential risks and benefits associated with these payment methods, empowering them to make informed financial decisions. Additionally, policymakers and regulators can utilize the insights from this study to craft guidelines that protect consumers from excessive debt and financial stress while encouraging innovation in the fintech sector. Overall, the study contributes to a broader understanding of the implications of BNPL services and EMI schemes on individual financial management and the economy at large.

### RESEARCH METHODOLOGY

The study primarily relied on primary data collected via a structured questionnaire using the snowball sampling technique, involving 100 BNPL service users and credit card users in Kannur District, Kerala. The data were analyzed and interpreted using statistical tools. Additionally, secondary data were used to review previous studies and recent developments in this field.

### RESULTS AND DISCUSSIONS

Category	Number of Respondents
<b>Gender</b>	
Male	83
Female	17
<b>Age</b>	

Below 25	56
25-30	32
Above 30	12
<b>Education</b>	
High school	11
Graduates	61
Post-graduates	28
<b>Monthly Income</b>	
Below Rs. 15000	15
Rs. 15000-20000	23
Rs. 20000 and above	62
<b>Employment</b>	
Salaried	60
Self-employed	23
Students	17

Source: Primary Data

**Table 1: Demographic Data**

The demographic data of the respondents offer insights into the profile of individuals using BNPL services and credit cards in Kannur District, Kerala. The majority of respondents are male (83%), indicating a significant gender disparity in the usage of these financial products. Age-wise, the largest group comprises individuals below 25 years (56%), followed by those aged 25-30 years (32%), with only 12% being above 30 years. This suggests that younger individuals are more inclined to use BNPL services and credit cards.

In terms of education, the data reveals that most respondents are well-educated, with 61% holding a graduate degree and 28% having completed post-graduate studies, while only 11% have a high school education. This indicates a possible correlation between higher education levels and the usage of these financial services. Regarding monthly income, 62% of the respondents earn above Rs. 20,000, highlighting that BNPL and credit card services are more commonly used by individuals with higher income levels. The middle-income group (Rs. 15,000-20,000) accounts for 23%, while the lower-income group (below Rs. 15,000) constitutes 15%.

Employment status further shows that the majority of respondents are salaried employees (60%), followed by self-employed individuals (23%) and students (17%). This distribution suggests that salaried professionals, likely due to their stable income, are the primary users of BNPL services and credit cards. Overall, the typical user profile in this region is a young, well-educated male with a stable, higher income, highlighting the appeal of these financial products to tech-savvy and financially aware individuals.



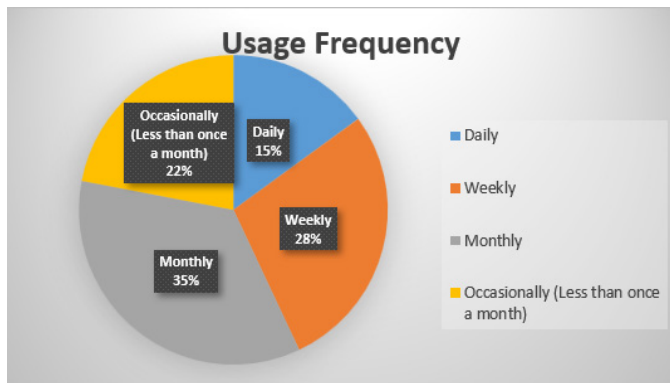


Figure 2

This figure categorizes the respondents based on how frequently they use BNPL services and credit cards, providing a clear overview of usage patterns among the sampled individuals. The frequency of usage of BNPL services and credit cards among respondents shows varied patterns. A small group of 15 respondents reported using these services daily, indicating a consistent and regular dependency on BNPL or credit facilities for their transactions. The weekly users, comprising 28 respondents, represent those who frequently use these services, but not on a daily basis, suggesting a steady yet less intense reliance.

The largest group, with 35 respondents, uses BNPL services or credit cards on a monthly basis, indicating a more planned and possibly budgeted approach to their spending. Lastly, 22 respondents reported using these services occasionally, defined as less than once a month, reflecting a more conservative or selective approach to utilizing BNPL and credit card options.

Factors Influencing BNPL Usage	No. of Respondents
Instant Credit Limit Allocation	13
One-Click Payments	15
Quick Refunds	11
Zero Processing Fee / No Hidden Charges	24
Wide Range of Partner Sites (Offline and Online)	30
Offers (Cashback and Discount Coupons)	07

Source: Primary Data

Table 2: Factors Influencing BNPL Usage

The factors influencing BNPL usage among respondents reveal a range of motivations behind their choice to use these services. A notable 13 respondents were drawn to the instant credit limit allocation, appreciating the immediate access to funds without the need for a lengthy approval process. Similarly, 15 respondents favored the convenience of one-click payments, which streamlines the checkout process, making it a hassle-free option. Quick refunds were important to 11 respondents, highlighting the value placed on efficient customer service when dealing with returns or cancellations.

The absence of processing fees and hidden charges was a

significant factor for 24 respondents, reflecting the appeal of cost transparency and making BNPL an attractive option for those conscious of financial costs. The most influential factor, cited by 30 respondents, was the wide range of partner sites, both online and offline, which greatly enhances the utility and accessibility of BNPL services. Lastly, 7 respondents were motivated by offers such as cashback and discount coupons, indicating that while promotional incentives do play a role, they are less impactful compared to other practical benefits. Overall, the data suggests that practical features like partner site availability and transparent pricing are the most compelling reasons for BNPL usage among the respondents.

Spending Pattern	No. of Respondents
Electronics / Accessories	10
Clothing and fashion items	08
Utility Bill Payments	34
Recharges	18
Travel and Movie Ticket Booking	10
Food	17
Household essentials	03

Source: Primary Data

Table 3: Most Preferred Spending Pattern of BNPL Users

The spending patterns among BNPL users indicate a diverse range of usage across various categories, reflecting the flexibility and convenience that these services offer. The most preferred spending category is utility bill payments, with 34 respondents utilizing BNPL services to manage their regular expenses such as electricity, water, and internet bills. This high usage suggests that consumers find BNPL options beneficial for handling essential and recurring payments, likely due to the ease of transaction and the ability to manage cash flow effectively.

Following utility bills, recharges for services like mobile phones and DTH connections are the next prominent category, with 18 respondents indicating usage in this area. This underscores the adoption of BNPL services for everyday, small-ticket transactions, highlighting their integration into routine financial activities. Food-related expenses also see significant usage, with 17 respondents using BNPL for dining out or ordering food, demonstrating the appeal of deferred payments in enhancing lifestyle and convenience.

Purchases of electronics and accessories, as well as travel and movie ticket bookings, each account for 10 respondents. This reflects the utilization of BNPL services for relatively higher-value and discretionary spending, allowing users to make substantial purchases or enjoy leisure activities without immediate financial strain. Clothing and fashion items attract 8 respondents, indicating a moderate preference for using BNPL in updating wardrobes and personal style, possibly influenced by seasonal trends and promotional offers.

Lastly, household essentials constitute the least preferred category, with only 3 respondents using BNPL services for such purchases. This may suggest that consumers prefer traditional

payment methods for everyday household needs or that BNPL options are less available or promoted in this sector. Overall, the data illustrates that BNPL services are predominantly used for both essential and lifestyle-related expenses, providing consumers with financial flexibility across a spectrum of needs and preferences.

Statement	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
BNPL services are useful for managing finances	42	30	15	8	5
BNPL encourages impulsive purchases	35	28	20	10	7
BNPL reduces the immediate financial burden	50	27	12	6	5
BNPL services are convenient to use	48	30	10	7	5
BNPL services can lead to overspending	38	32	15	10	5
BNPL services are beneficial for emergencies	40	28	18	8	6
The terms and conditions of BNPL services are clear	22	35	25	10	8
BNPL services increase overall financial stress	30	28	20	12	10
BNPL services offer better payment flexibility	45	30	15	6	4
BNPL services are preferable to credit cards	32	28	20	12	8

Source: Primary Data

**Table 4: Respondents' Perceptions of BNPL Services**

The respondents' perceptions of BNPL services reflect a complex balance between the perceived benefits and potential drawbacks of these financial products. A significant majority, with 42 respondents strongly agreeing and 30 agreeing, consider BNPL services to be useful for managing finances, suggesting that these services are valued for their role in providing financial flexibility. Similarly, 50 respondents strongly agree that BNPL reduces the immediate financial burden, underscoring the appeal of deferred payment options in alleviating short-term financial pressures.

However, the data also reveals concerns about impulsive buying behavior, with 35 respondents strongly agreeing and 28 agreeing that BNPL services encourage impulsive purchases. This indicates a recognition of the potential for overspending, as also reflected in the 38 respondents who strongly agree that

BNPL can lead to overspending. Despite these concerns, the convenience of BNPL services is widely acknowledged, with 48 respondents strongly agreeing and 30 agreeing on their ease of use, highlighting the user-friendly nature of these platforms.

The responses also show that while BNPL services are considered beneficial for emergencies (40 strongly agree, 28 agree), there is some ambiguity regarding the clarity of terms and conditions, with 22 respondents strongly agreeing, but 25 remaining neutral. Additionally, 30 respondents strongly agree that BNPL services could increase overall financial stress, reflecting underlying concerns about long-term financial implications.

Finally, the preference for BNPL over traditional credit cards is split, with 32 respondents strongly agreeing and 28 agreeing, suggesting that while BNPL services are seen as offering better payment flexibility (45 strongly agree), they are not universally preferred over credit cards. Overall, the data illustrates that while BNPL services are appreciated for their immediate financial benefits and convenience, there are notable concerns about their impact on spending habits and long-term financial health.

## CONCLUSION

The study concludes that whereas EMI schemes and BNPL services provide a great deal of flexibility and convenience, there are some potential risks associated with them that customers should carefully evaluate. According to the research, if credit is not used appropriately, the appeal of deferred payments and easy credit availability might result in impulsive expenditure and greater financial difficulties. The study discovers that despite the risks involved, customers are typically lured to these payment methods because of their ease of use, quick access to credit, and improved cash flow management.

The study also emphasises the necessity of raising consumer knowledge and financial literacy levels in order to guarantee that the advantages of BNPL services and EMI plans are optimised without harming sound financial standing. Additionally, it recommends that regulators and fintech firms collaborate to develop more open and approachable rules that shield customers from possible dangers while simultaneously promoting the expansion and advancement of these financial products.

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